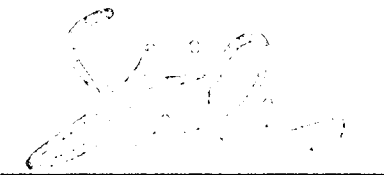


THE TEXAS TOMORROW FUND
ACTED BY THE LEGISLATURE OF THE STATE OF TEXAS
APPROVED FOR THE HOUSE OF REPRESENTATIVES
APPROVED FOR THE SENATE

THIS ACT TAKES EFFECT DATE

1997

By



H.J.R. No. 8

A JOINT RESOLUTION

1 proposing a constitutional amendment to extend the full faith and
2 credit of the state to support the Texas tomorrow fund.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Article VII, Texas Constitution, is amended by
5 adding Section 19 to read as follows:

6 Sec. 19. TEXAS TOMORROW FUND. (a) The Texas tomorrow fund
7 is created as a trust fund dedicated to the prepayment of tuition
8 and fees for higher education as provided by the general laws of
9 this state for the prepaid higher education tuition program. The
10 assets of the fund are held in trust for the benefit of
11 participants and beneficiaries and may not be diverted. The state
12 shall hold the assets of the fund for the exclusive purposes of
13 providing benefits to participants and beneficiaries and defraying
14 reasonable expenses of administering the program.

15 (b) Financing of benefits must be based on sound actuarial
16 principles. The amount contributed by a person participating in
17 the prepaid higher education program shall be as provided by the
18 general laws of this state, but may not be less than the amount
19 anticipated for tuition and required fees based on sound actuarial
20 principles. If in any fiscal year there is not enough money in the
21 Texas tomorrow fund to pay the tuition and required fees of an
22 institution of higher education in which a beneficiary enrolls or
23 the appropriate portion of the tuition and required fees of a
24 private or independent institution of higher education in which a

1 beneficiary enrolls as provided by a prepaid tuition contract,
2 there is appropriated out of the first money coming into the state
3 treasury in each fiscal year not otherwise appropriated by the
4 constitution the amount that is sufficient to pay the applicable
5 amount of tuition and required fees of the institution.

6 (c) Assets of the fund may be invested by an entity
7 designated by general law in securities considered prudent
8 investments. Investments shall be made in the exercise of judgment
9 and care under the circumstances that a person of ordinary
10 prudence, discretion, and intelligence exercises in the management
11 of the person's affairs, not for speculation, but for the permanent
12 disposition of funds, considering the probable income from the
13 disposition as well as the probable safety of capital.

14 (d) The state comptroller of public accounts shall take the
15 actions necessary to implement this section.

16 (e) To the extent this section conflicts with any other
17 provision of this constitution, this section controls.

18 SECTION 2. This proposed constitutional amendment shall be
19 submitted to the voters at an election to be held November 4, 1997.
20 The ballot shall be printed to permit voting for or against the
21 proposition: "The constitutional amendment to encourage persons to
22 plan and save for young Texans' college education, to extend the
23 full faith and credit of the state to support the Texas tomorrow
24 fund of the prepaid higher education tuition program, and to create
25 the Texas tomorrow fund as a constitutional trust fund."

HOUSE COMMITTEE REPORT

1st Printing

97 MAR -7 PM 12:26
HOUSE OF REPRESENTATIVES

By Stiles, Kamel, Ramsay, Place, Raymond

H.J.R. No. 8

Substitute the following for H.J.R. No. 8:

By Telford

C.S.H.J.R. No. 8

A JOINT RESOLUTION

1 proposing a constitutional amendment to extend the full faith and
2 credit of the state to support the Texas tomorrow fund.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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7 is created as a trust fund dedicated to the prepayment of tuition
8 and fees for higher education as provided by the general laws of
9 this state for the prepaid higher education tuition program. The
10 assets of the fund are held in trust for the benefit of
11 participants and beneficiaries and may not be diverted. The state
12 shall hold the assets of the fund for the exclusive purposes of
13 providing benefits to participants and beneficiaries and defraying
14 reasonable expenses of administering the program.

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17 the prepaid higher education program shall be as provided by the
18 general laws of this state, but may not be less than the amount
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20 principles. If in any fiscal year there is not enough money in the
21 Texas tomorrow fund to pay the tuition and required fees of an
22 institution of higher education in which a beneficiary enrolls or
23 the appropriate portion of the tuition and required fees of a
24 private or independent institution of higher education in which a

1 beneficiary enrolls as provided by a prepaid tuition contract,
2 there is appropriated out of the first money coming into the state
3 treasury in each fiscal year not otherwise appropriated by the
4 constitution the amount that is sufficient to pay the applicable
5 amount of tuition and required fees of the institution.

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7 designated by general law in securities considered prudent
8 investments. Investments shall be made in the exercise of judgment
9 and care under the circumstances that a person of ordinary
10 prudence, discretion, and intelligence exercises in the management
11 of the person's affairs, not for speculation, but for the permanent
12 disposition of funds, considering the probable income from the
13 disposition as well as the probable safety of capital.

14 (d) The state comptroller of public accounts shall take the
15 actions necessary to implement this section.

16 (e) To the extent this section conflicts with any other
17 provision of this constitution, this section controls.

18 SECTION 2. This proposed constitutional amendment shall be
19 submitted to the voters at an election to be held November 4, 1997.
20 The ballot shall be printed to permit voting for or against the
21 proposition: "The constitutional amendment to encourage persons to
22 plan and save for young Texans' college education, to extend the
23 full faith and credit of the state to protect the Texas tomorrow
24 fund of the prepaid higher education tuition program, and to
25 establish the Texas tomorrow fund as a constitutionally protected
26 trust fund."

COMMITTEE REPORT

The Honorable James E. "Pete" Laney
 Speaker of the House of Representatives

3/4/97
 (date)

Sir:

We, your COMMITTEE ON PENSIONS AND INVESTMENTS

to whom was referred HJR 8 have had the same under consideration and beg to report back with the recommendation that it

- ☐ do pass, without amendment.
 ☐ do pass, with amendment(s).
 ☒ do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.
- ☒ yes ☐ no A fiscal note was requested.
- ☐ yes ☒ no A criminal justice policy impact statement was requested.
- ☐ yes ☒ no An equalized educational funding impact statement was requested.
- ☒ yes ☐ no An actuarial analysis was requested.
- ☐ yes ☒ no A water development policy impact statement was requested.
- ☐ yes ☒ no A tax equity note was requested.
- ☐ The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor _____

Joint Sponsors: _____ / _____ / _____

Co-Sponsors: _____

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Telford, Chair	X			
Woolley, Vice-chair	X			
Berlanga				X
Goolsby	X			
Rangel	X			
Sadler	X			
Serna	X			
Tillery	X			
Williams		X		

Total

7

1

0

1

aye

nay

present, not voting

absent

[Signature]
 CHAIR

BILL ANALYSIS

PENSIONS & INVESTMENTS

C.S.H.J.R. 8

By: Stiles

3-5-97

Committee Report (Substituted)

BACKGROUND

The 74th Legislature created the Texas Tomorrow Fund, which is a prepaid higher education tuition program. This program allows the purchaser to enter a contract to prepay the tuition and fees for the purchaser's beneficiary to attend a public institution of higher education. The fund's assets are not currently guaranteed by the State Constitution, as are other investment funds such as the Permanent University Fund, Permanent School Fund, etc.

Benefits/justification for doing so.

PURPOSE

This constitutional amendment would extend the state's full faith and credit to the Texas Tomorrow Fund.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency or institution.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VII, Texas Constitution, by adding Section 19.

Sec. 19. TEXAS TOMORROW FUND.

(a) is amended by the addition of the language to define the Texas Tomorrow Fund as a trust fund for the prepayment of tuition and fees for institutions of higher education and is held in trust by the state for the beneficiaries and participants and to pay for the cost of the administration of the program and may not be diverted.

(b) is amended by the addition of the language which specifies that the amount contributed cannot be less than the amount anticipated for tuition and fees and if there is not enough money in the fund to pay the tuition and fees of the institution of higher learning then money is appropriated out of the first money coming into the state treasury not otherwise appropriated.

(c) is amended by the addition of the language to specify that investments by an entity must be made with judgement and not be for speculation, but for the disposition of the funds.

(d) is amended by the addition of the language to allow the comptroller to implement this section.

(e) is amended by the addition of the language which provides this section with control over any conflicting section in the constitution.

SECTION 2. Election will be held November 4, 1997 for the submission of the proposed constitutional amendment. The fund will be a constitutionally protected trust fund.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute makes minor changes in the ballot language to clarify that the fund is constitutionally protected, so that it is not tapped into in the future.

SUMMARY OF COMMITTEE ACTION

HJR 8

March 4, 1997 8:00AM

Considered in public hearing

Testimony taken in committee

Committee substitute considered in committee

Reported favorably as substituted

WITNESS LIST

HJR 8
HOUSE COMMITTEE REPORT
Pensions & Investments Committee

March 4, 1997 - 8:00A

For: Stiles, Mark (Author of bill)
Committee Substitute (Rep. Telford #1)

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

March 5, 1997

To: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8, Committee Report
1st House, Substituted
By: Stiles

From: John Keel, Director

In response to your request for a Fiscal Note on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR8-Committee Report 1st House, Substituted

No fiscal implication to the State is anticipated.

The cost to the state for publication of the resolution is \$71,000.

The resolution would propose a constitutional amendment to establish the Texas Tomorrow Fund (fund) as a constitutional trust fund, extend the full faith and credit of Texas to the fund, and allow fund assets to be invested in accordance with the prudent person rule. The fund would be dedicated to the prepayment of tuition and fees for higher education under the prepaid higher education tuition program.

In the event there was not enough money in the fund to pay the tuition and fees for a beneficiary, the resolution would require the first money that came into the State Treasury that was not appropriated by the Constitution to be transferred to the fund to pay the tuition and required fees.

By extending the full faith and credit guarantee, the resolution would provide an additional degree of financial assurance to contract purchasers. The Texas Veterans Land Board loan programs and the Hinson-Hazelwood student loan programs have the full faith and credit guarantee of the state. These guarantees have never been used.

The fund was designed to be and is operating in a self-supporting manner as a trust fund. By establishing the Texas Tomorrow Fund and allowing contracts to be written the Legislature has, in effect, created an implied state guarantee.

Almost all successful and effective trust funds manage their assets under the prudent person rule. The rule would allow the fund to, over the long term, provide superior investment returns and, thus, lower payments to contract purchasers of a fund plan.

The proposed constitutional amendment would be submitted to the voters at an

5

election to be held November 4, 1997.

No fiscal implication to units of local government is anticipated.

Source: Agencies:

LBB Staff: JK, PE

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

March 3, 1997

To: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8
By: Stiles

From: John Keel, Director

In response to your request for a Fiscal Note on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR8-As Introduced

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$71,000.

The resolution would propose a constitutional amendment to establish the Texas Tomorrow Fund (fund) as a constitutional trust fund, extend the full faith and credit of Texas to the fund, and allow fund assets to be invested in accordance with the prudent person rule. The fund would be dedicated to the prepayment of tuition and fees for higher education under the prepaid higher education tuition program.

In the event there was not enough money in the fund to pay the tuition and fees for a beneficiary, the resolution would require the first money that came into the State Treasury that was not appropriated by the Constitution to be transferred to the fund to pay the tuition and required fees.

By extending the full faith and credit guarantee, the resolution would provide an additional degree of financial assurance to contract purchasers. The Texas Veterans Land Board loan programs and the Hinson-Hazelwood student loan programs have the full faith and credit guarantee of the state. These guarantees have never been used.

The fund was designed to be and is operating in a self-supporting manner as a trust fund. The fund has sufficient safeguards in place to prevent the guarantee from being used. By establishing the Texas Tomorrow Fund and allowing contracts to be written the Legislature has, in effect, created an implied state guarantee.

Almost all successful and effective trust funds manage their assets under the prudent person rule. The rule would allow the fund to, over the long term, provide superior investment returns and, thus, lower payments to contract purchasers of a fund plan.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 1997.

No fiscal implication to units of local government is anticipated.

Source: Agencies: 781 Higher Education Coordinating Board
 304 Comptroller of Public Accounts

LBB Staff: JK, PE, LD

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

March 6, 1997

TO: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8, Committee Report
1st House, Substituted
By: Stiles

FROM: **John Keel**, Director

In response to your request for an Actuarial Impact Statement on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office, in cooperation with the Pension Review Board, has determined the following:

HJR8, as substituted, does not propose to change the funding or obligations of any public retirement system. Therefore, the bill if enacted will have no actuarial impact on any public retirement system.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

February 28, 1997

TO: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8
By: Stiles

FROM: **John Keel**, Director

In response to your request for an Actuarial Impact Statement on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office, in cooperation with the Pension Review Board, has determined the following:

HJR8 does not propose to change the funding or obligations of any public retirement system. Therefore, the bill if enacted will have no actuarial impact on any public retirement system.

ADOPTED

MAR 18 1997

Sharon Carter
Chief Clerk
House of Representatives

By

Stiles

H.J.R. No. 8

Substitute the following for H.J.R. No. 8:

By

Delfino

C.S. H.J.R. No. 8

A JOINT RESOLUTION

proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article VII, Texas Constitution, is amended by adding Section 19 to read as follows:

Sec. 19. TEXAS TOMORROW FUND. (a) The Texas tomorrow fund is created as a trust fund dedicated to the prepayment of tuition and fees for higher education as provided by the general laws of this state for the prepaid higher education tuition program. The assets of the fund are held in trust for the benefit of participants and beneficiaries and may not be diverted. The state shall hold the assets of the fund for the exclusive purposes of providing benefits to participants and beneficiaries and defraying reasonable expenses of administering the program.

(b) Financing of benefits must be based on sound actuarial principles. The amount contributed by a person participating in the prepaid higher education program shall be as provided by the general laws of this state, but may not be less than the amount anticipated for tuition and required fees based on sound actuarial principles. If in any fiscal year there is not enough money in the Texas tomorrow fund to pay the tuition and required fees of an institution of higher education in which a beneficiary enrolls or the appropriate portion of the tuition and required fees of a private or independent institution of higher education in which a

1 beneficiary enrolls as provided by a prepaid tuition contract,
2 there is appropriated out of the first money coming into the state
3 treasury in each fiscal year not otherwise appropriated by the
4 constitution the amount that is sufficient to pay the applicable
5 amount of tuition and required fees of the institution.

6 (c) Assets of the fund may be invested by an entity
7 designated by general law in securities considered prudent
8 investments. Investments shall be made in the exercise of judgment
9 and care under the circumstances that a person of ordinary
10 prudence, discretion, and intelligence exercises in the management
11 of the person's affairs, not for speculation, but for the permanent
12 disposition of funds, considering the probable income from the
13 disposition as well as the probable safety of capital.

14 (d) The state comptroller of public accounts shall take the
15 actions necessary to implement this section.

16 (e) To the extent this section conflicts with any other
17 provision of this constitution, this section controls.

18 SECTION 2. This proposed constitutional amendment shall be
19 submitted to the voters at an election to be held November 4, 1997.
20 The ballot shall be printed to permit voting for or against the
21 proposition: "The constitutional amendment to encourage persons to
22 plan and save for young Texans' college education, to extend the
23 full faith and credit of the state to protect the Texas tomorrow
24 fund of the prepaid higher education tuition program, and to
25 establish the Texas tomorrow fund as a constitutionally protected
26 trust fund."

HOUSE ENGROSSMENT

By Stiles, Kamel, Ramsay, Place, Raymond

H.J.R. No. 8

A JOINT RESOLUTION

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23 the appropriate portion of the tuition and required fees of a
24 private or independent institution of higher education in which a

1 beneficiary enrolls as provided by a prepaid tuition contract,
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3 treasury in each fiscal year not otherwise appropriated by the
4 constitution the amount that is sufficient to pay the applicable
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6 (c) Assets of the fund may be invested by an entity
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22 plan and save for young Texans' college education, to extend the
23 full faith and credit of the state to protect the Texas tomorrow
24 fund of the prepaid higher education tuition program, and to
25 establish the Texas tomorrow fund as a constitutionally protected
26 trust fund."

By: Stiles, et al. (Senate Sponsor - Barrientos) H.J.R. No. 8
(In the Senate - Received from the House March 19, 1997;
March 24, 1997, read first time and referred to Committee on
Finance; April 25, 1997, reported favorably by the following vote:
Yeas 10, Nays 2; April 25, 1997, sent to printer.)

HOUSE JOINT RESOLUTION

proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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(c) Assets of the fund may be invested by an entity designated by general law in securities considered prudent investments. Investments shall be made in the exercise of judgment and care under the circumstances that a person of ordinary prudence, discretion, and intelligence exercises in the management of the person's affairs, not for speculation, but for the permanent disposition of funds, considering the probable income from the disposition as well as the probable safety of capital.

(d) The state comptroller of public accounts shall take the actions necessary to implement this section.

(e) To the extent this section conflicts with any other provision of this constitution, this section controls.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 4, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to encourage persons to plan and save for young Texans' college education, to extend the full faith and credit of the state to protect the Texas tomorrow fund of the prepaid higher education tuition program, and to establish the Texas tomorrow fund as a constitutionally protected trust fund."

* * * * *

**FAVORABLE
SENATE COMMITTEE REPORT ON**

SB SCR SJR SR HB HCR HJR 8
By Stiles/Barrientos
(Author/Senate Sponsor)
4-25-97
(date)

Sir:

We, your Committee on FINANCE, to which was referred the attached measure,
have on April 24, 1997, had the same under consideration and I am instructed to report it
(date of hearing)
back with the recommendation (s) that it:

- ☒ do pass and be printed
☐ do pass and be ordered not printed
☐ and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. ☒ yes ☐ no

A revised fiscal note was requested. ☐ yes ☒ no

An actuarial analysis was requested. ☐ yes ☒ no

Considered by subcommittee. ☐ yes ☒ no

The measure was reported from Committee by the following vote:

	YEA	NAY	ABSENT	PNV
Senator Ratliff, Chair		<input checked="" type="checkbox"/>		
Senator Truan, Vice-Chair	<input checked="" type="checkbox"/>			
Senator Armbrister	<input checked="" type="checkbox"/>			
Senator Barrientos	<input checked="" type="checkbox"/>			
Senator Bivins	<input checked="" type="checkbox"/>			
Senator Brown	<input checked="" type="checkbox"/>			
Senator Lucio	<input checked="" type="checkbox"/>			
Senator Moncrief	<input checked="" type="checkbox"/>			
Senator Nelson		<input checked="" type="checkbox"/>		
Senator Sibley	<input checked="" type="checkbox"/>			
Senator Wentworth				<input checked="" type="checkbox"/>
Senator West	<input checked="" type="checkbox"/>			
Senator Zaffirini	<input checked="" type="checkbox"/>			
TOTAL VOTES	10	2	0	1

COMMITTEE ACTION

S260 Considered in public hearing
S270 Testimony taken

Patricia Huch
COMMITTEE CLERK

Ratliff
CHAIR

BILL ANALYSIS

Senate Research Center

H.J.R. 8
By: Stiles (Barrientos)
Finance
4-13-97
Engrossed

DIGEST

Currently, the Texas Tomorrow Fund's assets are not guaranteed by the state constitution. Other investment funds in Texas are guaranteed by the state constitution. This bill would extend the state's full faith and credit to the Texas Tomorrow Fund.

PURPOSE

As proposed, H.J.R. 8 requires the submission to the voters of a constitutional amendment regarding extending state's full faith and credit to the Texas Tomorrow Fund.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VII, Texas Constitution, by adding Section 19, as follows:

Sec. 19. TEXAS TOMORROW FUND. Creates the Texas Tomorrow Fund (fund). Provides that the assets of the fund are held in trust for the benefits of participants. Sets forth the purpose of the fund. Sets forth the financing of benefits under the fund. Sets forth requirements for investment of the assets of the fund. Requires the state comptroller of public accounts to take actions necessary to implement this section. Provides that this section controls when in conflict with any other provision of this constitution.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 4, 1997. Sets forth the required language for the ballot.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

March 27, 1997

To: Honorable Bill Ratliff, Chair
Committee on Finance
Senate
Austin, Texas

IN RE: House Joint Resolution
No. 8, As Engrossed
By: Stiles

From: John Keel, Director

In response to your request for a Fiscal Note on HJR8 (proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR8-As Engrossed

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$71,000.

The resolution would propose a constitutional amendment to establish the Texas Tomorrow Fund (fund) as a constitutional trust fund, extend the full faith and credit of Texas to the fund, and allow fund assets to be invested in accordance with the prudent person rule. The fund would be dedicated to the prepayment of tuition and fees for higher education under the prepaid higher education tuition program.

In the event there was not enough money in the fund to pay the tuition and fees for a beneficiary, the resolution would require the first money that came into the State Treasury that was not appropriated by the Constitution to be transferred to the fund to pay the tuition and required fees.

By extending the full faith and credit guarantee, the resolution would provide an additional degree of financial assurance to contract purchasers. The Texas Veterans Land Board loan programs and the Hinson-Hazelwood student loan programs have the full faith and credit guarantee of the state. These guarantees have never been used.

The fund was designed to be and is operating in a self-supporting manner as a trust fund. By establishing the Texas Tomorrow Fund and allowing contracts to be written the Legislature has, in effect, created an implied state guarantee.

Almost all successful and effective trust funds manage their assets under the prudent person rule. The rule would allow the fund to, over the long term, provide superior investment returns and, thus, lower payments to contract purchasers of a fund plan.

The proposed constitutional amendment would be submitted to the voters at an

election to be held November 4, 1997.

No fiscal implication to units of local government is anticipated.

Source: Agencies: 781 Higher Education Coordinating Board
304 Comptroller of Public Accounts

LBB Staff: JK, RR, PE, LD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

March 5, 1997

To: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8, Committee Report
1st House, Substituted
By: Stiles

From: John Keel, Director

In response to your request for a Fiscal Note on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office has determined the following:

**Biennial Net Impact to General Revenue Funds by HJR8-Committee Report 1st House,
Substituted**

No fiscal implication to the State is anticipated.

The cost to the state for publication of the resolution is \$71,000.

The resolution would propose a constitutional amendment to establish the Texas Tomorrow Fund (fund) as a constitutional trust fund, extend the full faith and credit of Texas to the fund, and allow fund assets to be invested in accordance with the prudent person rule. The fund would be dedicated to the prepayment of tuition and fees for higher education under the prepaid higher education tuition program.

In the event there was not enough money in the fund to pay the tuition and fees for a beneficiary, the resolution would require the first money that came into the State Treasury that was not appropriated by the Constitution to be transferred to the fund to pay the tuition and required fees.

By extending the full faith and credit guarantee, the resolution would provide an additional degree of financial assurance to contract purchasers. The Texas Veterans Land Board loan programs and the Hinson-Hazelwood student loan programs have the full faith and credit guarantee of the state. These guarantees have never been used.

The fund was designed to be and is operating in a self-supporting manner as a trust fund. By establishing the Texas Tomorrow Fund and allowing contracts to be written the Legislature has, in effect, created an implied state guarantee.

Almost all successful and effective trust funds manage their assets under the prudent person rule. The rule would allow the fund to, over the long term, provide superior investment returns and, thus, lower payments to contract purchasers of a fund plan.

The proposed constitutional amendment would be submitted to the voters at an

election to be held November 4, 1997.

No fiscal implication to units of local government is anticipated.

Source: Agencies:
 LBB Staff: JK, PE

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

March 3, 1997

To: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8
By: Stiles

From: John Keel, Director

In response to your request for a Fiscal Note on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR8-As Introduced

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$71,000.

The resolution would propose a constitutional amendment to establish the Texas Tomorrow Fund (fund) as a constitutional trust fund, extend the full faith and credit of Texas to the fund, and allow fund assets to be invested in accordance with the prudent person rule. The fund would be dedicated to the prepayment of tuition and fees for higher education under the prepaid higher education tuition program.

In the event there was not enough money in the fund to pay the tuition and fees for a beneficiary, the resolution would require the first money that came into the State Treasury that was not appropriated by the Constitution to be transferred to the fund to pay the tuition and required fees.

By extending the full faith and credit guarantee, the resolution would provide an additional degree of financial assurance to contract purchasers. The Texas Veterans Land Board loan programs and the Hinson-Hazelwood student loan programs have the full faith and credit guarantee of the state. These guarantees have never been used.

The fund was designed to be and is operating in a self-supporting manner as a trust fund. The fund has sufficient safeguards in place to prevent the guarantee from being used. By establishing the Texas Tomorrow Fund and allowing contracts to be written the Legislature has, in effect, created an implied state guarantee.

Almost all successful and effective trust funds manage their assets under the prudent person rule. The rule would allow the fund to, over the long term, provide superior investment returns and, thus, lower payments to contract purchasers of a fund plan.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 1997.

No fiscal implication to units of local government is anticipated.

Source: Agencies: 781 Higher Education Coordinating Board
304 Comptroller of Public Accounts

LBB Staff: JK, PE, LD

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

March 6, 1997

TO: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8, Committee Report
1st House, Substituted
By: Stiles

FROM: **John Keel**, Director

In response to your request for an Actuarial Impact Statement on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office, in cooperation with the Pension Review Board, has determined the following:

HJR8, as substituted, does not propose to change the funding or obligations of any public retirement system. Therefore, the bill if enacted will have no actuarial impact on any public retirement system.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

February 28, 1997

TO: Honorable Barry Telford, Chair
Committee on Pensions and Investments
House
Austin, Texas

IN RE: House Joint Resolution
No. 8
By: Stiles

FROM: **John Keel**, Director

In response to your request for an Actuarial Impact Statement on HJR8 (Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.) this office, in cooperation with the Pension Review Board, has determined the following:

HJR8 does not propose to change the funding or obligations of any public retirement system. Therefore, the bill if enacted will have no actuarial impact on any public retirement system.

WITNESS LIST

HJR 8
SENATE COMMITTEE REPORT
Finance Committee

April 24, 1997 - 9:00A

On: BELVIN, WARDALEEN (TX TOMORROW FUND), AUSTIN

ENROLLED

H.J.R. No. 8

A JOINT RESOLUTION

1 proposing a constitutional amendment to extend the full faith and
2 credit of the state to support the Texas tomorrow fund.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Article VII, Texas Constitution, is amended by
5 adding Section 19 to read as follows:

6 Sec. 19. TEXAS TOMORROW FUND. (a) The Texas tomorrow fund
7 is created as a trust fund dedicated to the prepayment of tuition
8 and fees for higher education as provided by the general laws of
9 this state for the prepaid higher education tuition program. The
10 assets of the fund are held in trust for the benefit of
11 participants and beneficiaries and may not be diverted. The state
12 shall hold the assets of the fund for the exclusive purposes of
13 providing benefits to participants and beneficiaries and defraying
14 reasonable expenses of administering the program.

15 (b) Financing of benefits must be based on sound actuarial
16 principles. The amount contributed by a person participating in
17 the prepaid higher education program shall be as provided by the
18 general laws of this state, but may not be less than the amount
19 anticipated for tuition and required fees based on sound actuarial
20 principles. If in any fiscal year there is not enough money in the
21 Texas tomorrow fund to pay the tuition and required fees of an
22 institution of higher education in which a beneficiary enrolls or
23 the appropriate portion of the tuition and required fees of a
24 private or independent institution of higher education in which a

1 beneficiary enrolls as provided by a prepaid tuition contract,
2 there is appropriated out of the first money coming into the state
3 treasury in each fiscal year not otherwise appropriated by the
4 constitution the amount that is sufficient to pay the applicable
5 amount of tuition and required fees of the institution.

6 (c) Assets of the fund may be invested by an entity
7 designated by general law in securities considered prudent
8 investments. Investments shall be made in the exercise of judgment
9 and care under the circumstances that a person of ordinary
10 prudence, discretion, and intelligence exercises in the management
11 of the person's affairs, not for speculation, but for the permanent
12 disposition of funds, considering the probable income from the
13 disposition as well as the probable safety of capital.

14 (d) The state comptroller of public accounts shall take the
15 actions necessary to implement this section.

16 (e) To the extent this section conflicts with any other
17 provision of this constitution, this section controls.

18 SECTION 2. This proposed constitutional amendment shall be
19 submitted to the voters at an election to be held November 4, 1997.
20 The ballot shall be printed to permit voting for or against the
21 proposition: "The constitutional amendment to encourage persons to
22 plan and save for young Texans' college education, to extend the
23 full faith and credit of the state to protect the Texas tomorrow
24 fund of the prepaid higher education tuition program, and to
25 establish the Texas tomorrow fund as a constitutionally protected
26 trust fund."

H.J.R. No. 8

President of the Senate

Speaker of the House

I certify that H.J.R. No. 8 was passed by the House on March 10, 1997, by the following vote: Yeas 120, Nays 24, 1 present, not voting.

Chief Clerk of the House

I certify that H.J.R. No. 8 was passed by the Senate on May 7, 1997, by the following vote: Yeas 21, Nays 9, 1 present, not voting.

Secretary of the Senate

RECEIVED: _____

Date

Secretary of State

President of the Senate

Speaker of the House

I certify that H.J.R. No. 8⁽¹⁾ was passed by the House on

March 10⁽²⁾, 1997, by the following vote:

Yeas 120⁽³⁾, Nays 24⁽⁴⁾, 1 present, not voting.

Chief Clerk of the House

I certify that H.J.R. No. 8 was passed by the Senate on

May 7⁽⁵⁾, 1997, by the following vote:

Yeas 21⁽⁶⁾, Nays 9⁽⁷⁾, 1 present, not voting.

Secretary of the Senate

RECEIVED:

Date

Secretary of State

**** Preparation: CT23;

JOINT AUTHOR AUTHORIZATION

As primary author of HJR 8 I hereby authorize the following joint author(s):
(bill or resolution #)

Ted Kamel
printed name of joint author #1

Tom Ramsey
printed name of joint author #2

Allen Place
printed name of joint author #3

Richard Raymond
printed name of joint author #4

Ted Kamel
signature of joint author #1

Tom Ramsey
signature of joint author #2

Allen Place
signature of joint author #3

Richard Raymond
signature of joint author #4

Mark Oster
signature of primary author

Feb 17, 1997
date

ORIGINAL FORM--Place in book

SEND COPIES TO:
Debbie Irvine (Legislative Council)
Legislative Reference Library
House Journal

H.J.R. No. 8

By Stiles

Proposing a constitutional amendment to extend the full faith and credit of the state to support the Texas tomorrow fund.

FEB 17 1997

Filed with the Chief Clerk

FEB 19 1997

Read first time and referred to Committee on Pensions & Investments

FEB 19 1997

Reported favorably ~~(unanimously)~~
(as substituted)

MAR 10 1997

Sent to Committee on Calendars

MAR 10 1997

Read second time (comm. subst.) ~~(amended)~~ and adopted ~~(passed to third reading)~~ by a record vote of 120 yeas, 24 nays, 1 present, not voting

Read third time (amended) and finally adopted (failed of adoption) by a record vote of _____ yeas, _____ nays, _____ present, not voting

Engrossed

Sent to Senate

Sheron Carter

CHIEF CLERK OF THE HOUSE

OTHER HOUSE ACTION:

MAR 18 1997

Received from the House

MAR 24 1997

Read and referred to Committee on FINANCE

APR 25 1997

Reported favorably

Reported adversely, with favorable Committee Substitute; Committee Substitute read first time

Ordered not printed

Laid before the Senate

MAY 06 1997

Senate and Constitutional Rules to permit consideration suspended by ~~(unanimous consent)~~
(21 yeas, 8 nays) 1PNV

MAY 06 1997

Read second time, _____, and passed to third reading by ~~(unanimous consent)~~
(a viva voce vote)
(21 yeas, 9 nays) 1PNV

MAY 07 1997

Senate and Constitutional 3 Day Rules suspended by a vote of _____ yeas, _____ nays
Senate Rules suspended by 20 yeas 9 nays 1PNV
Read third time, _____, and passed by 21 yeas, 9 nays 1PNV

May 7, 1997

Returned to the House

Buty King

SECRETARY OF THE SENATE

OTHER SENATE ACTION:

MAY 7 1987

Returned from the Senate (~~as substituted~~)
(with amendments)

House concurred in Senate amendments by a (non-record vote)
(record vote of _____ yeas, _____ nays, _____ present, not voting)

House refused to concur in Senate amendments and requested the appointment of a conference committee
by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

House conferees appointed: _____, Chair; _____,
_____, _____, _____

Senate granted House request. Senate conferees appointed: _____, Chair;
_____, _____, _____

Conference committee report adopted (rejected) by the House by a record vote of
_____ yeas, _____ nays, _____ present, not voting

Conference committee report adopted (rejected) by the Senate by a record vote of
_____ yeas, _____ nays

97 MAR -7 PM 12:26
HOUSE OF REPRESENTATIVES